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Financial and Non-Financial Compensation on Employee Productivity

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The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

ABSTRACT

Purpose: This study examines the effect of financial and non-financial compensation on employee productivity at Bank Papua, Abepura Branch. Using reinforcement theory and expectancy theory, it investigates how both forms of compensation affect employee motivation and performance.

Research Design and Methodology: This study utilized a quantitative approach, using surveys and statistical analysis to assess the relationship between compensation and productivity. Data was collected from employees at the Abepura Branch of Bank Papua. Both financial compensation (e.g., salary, bonus) and non-financial compensation (e.g., recognition, career development opportunities) were measured and analyzed for their impact on employee productivity.

Findings and Discussion: The findings show financial and non-financial compensation's vivacious and significant effect on employee productivity. The findings are consistent with motivation and fairness theories, indicating that fair and competitive compensation encourages employees to work harder and perform better. The discussion emphasizes the importance of a balance between both forms of compensation to improve overall productivity and organizational performance.

Implications: This research highlights practical implications for management at Bank Papua, Abepura Branch. It indicates the need for greater attention to the compensation structure to ensure employee satisfaction and motivation. Recommendations include periodic salary reviews and adjustments, developing incentive programs based on individual and team performance, and creating a supportive work environment.

Introduction

In the competitive banking world, employee productivity is one of the determining factors of organizational success. Bank Papua Abepura Branch, one of the leading financial institutions in the Papua region, faces the challenge of improving employee productivity to achieve increasingly challenging business targets. Employee productivity is influenced by individual abilities and skills and other factors such as motivation, work environment, and, most importantly, compensation. (Nurwati, 2021). Compensation is one of the essential elements that can affect employee motivation and morale (Syukri et al., 2023). However, attention is often only focused on financial compensation such as salaries and bonuses. In contrast, non-financial compensation, such as recognition, career development opportunities, and work-life balance, also have an essential role that should be addressed (Schlechter et al., 2015). Amid increasingly fierce competition, the Bank Papua Abepura Branch must be able to formulate an effective compensation strategy to increase employee productivity. Therefore, it is essential to understand how various financial and non-financial compensation forms can affect overall employee performance and productivity to develop more effective compensation policies.

Various studies have explored the impact of financial and non-financial compensation on employee productivity. For example, a study by Amirudin (2024) concluded that fair and competitive financial compensation can increase employee motivation and productivity. However, these positive effects of monetary compensation may decline over time if not supported by adequate non-financial compensation. Another study by Manzoor et al. (2021) revealed that non-financial rewards such as recognition and rewards for work achievements can increase employees' intrinsic motivation, which positively impacts their work productivity. In addition, Gampu (2021) found that both types of compensation significantly affect fishermen's productivity, demonstrating the relevance of compensation in various sectors. Kurniawan & Purwanto (2022) and Gultom et al. (2021) identified a positive relationship between non-financial compensation, such as work environment and motivation, and employee performance. Maulana & Syukri (2023) further supported these findings, showing that motivation and work discipline significantly impact employee performance. Although various studies have demonstrated the importance of these two types of compensation, more comprehensive research combining both aspects in Indonesia's banking context, particularly in the Papua region, still needs to be completed. This study seeks to fill this gap by holistically examining the combined effect of financial and non-financial compensation on employee productivity at the Bank Papua Abepura Branch.

The limitation of recent studies lies in the need for a holistic understanding of how financial and non-financial compensation affects employee productivity. Many studies focus on one aspect of compensation alone without considering the interaction between the two. In addition, previous studies have also paid little attention to the cultural and geographical contexts that may influence employees' perceptions of compensation. In the Papua region, local cultural factors and unique geographical conditions can play an essential role in determining the effectiveness of different forms of compensation. For example, employees in remote areas may value non-financial compensation, such as career development and recognition, more than those in urban areas, who may focus more on financial compensation. Therefore, this study seeks to fill this gap by comprehensively examining the combined effect of financial and non-financial compensation on employee work productivity at Bank Papua Abepura Branch. By combining these two aspects of compensation, this study is expected to provide a deeper understanding of how a holistic compensation strategy can more effectively improve employee work productivity, as well as provide relevant and practical recommendations for management in designing compensation policies that are more in line with local needs and conditions.

Based on the gap analysis of previous studies, this research focuses on two main questions: (1) How does financial compensation affect employee work productivity at Bank Papua Abepura Branch? (2) How does non-financial compensation affect employee work productivity at Bank Papua Abepura Branch? (3) How do Financial Compensation and Non-Financial Compensation simultaneously affect Bank Papua Abepura Branch employees? By combining these three questions, this study also explores how the interaction between financial and non-financial compensation affects overall employee work productivity. The novelty of this research lies in the comprehensive approach that combines these two aspects of compensation in a unique and specific context, namely in the Papua region, by considering cultural and geographical factors that may affect employee perceptions of compensation. This research uses a quantitative method with a survey approach to collect data from the Bank Papua Abepura Branch employees. The data collected will be analyzed using regression analysis techniques to identify the relationship between the variables studied. The results of this analysis are expected to provide a clear picture of the effect of financial and non-financial compensation on employee productivity and practical recommendations for bank management in developing more effective compensation policies.

Literature Review

Compensation

Compensation is a critical aspect for employees. Compensation refers to direct and indirect payments that benefit employees, often through incentives. Providing these incentives demonstrates that the company cares about its employees, motivating them to perform their best and work hard to achieve the company's expected productivity. Compensation assists the company in achieving its goals and maintaining employee satisfaction. On the other hand, inadequate compensation can lead to employee dissatisfaction, resulting in a lack of care for their jobs. This dissatisfaction can manifest in increased complaints, strikes, or negligence of duties, such as absenteeism or lack of productivity. Therefore, providing appropriate compensation is essential in fostering employee motivation, responsibility, and engagement in their work. Compensation encompasses employees' financial and non-financial rewards as part of their employment relationship (Wirawan, 2015). Monetary rewards include salaries, wages, bonuses, commissions, allowances for dependents and positions, and travel reimbursement. Non-financial rewards, on the other hand, may include housing, social security, health insurance, accident insurance, life insurance, and pension benefits. According to Triton (2012), compensation offered to employees can be classified into two main categories based on its nature: financial and non-financial. Financial compensation encompasses all forms of monetary rewards given to employees, including salaries, wages, bonuses, premiums, healthcare benefits, insurance, and other payments the organization provides. These forms of compensation directly enhance an employee's financial well-being. In contrast, non-financial compensation refers to benefits that are not monetary but equally valuable. Examples include housing, social security, and various types of insurance, such as health, accident, death, and pension coverage, which support employees' overall welfare and security.

Financial Compensation

Sudaryo et al. (2019) states that financial compensation consists of individual wages, salaries, commissions, and bonus payments. Indirect financial compensation, or benefits, includes all financial rewards that are not part of direct financial compensation. This type of compensation covers various rewards typically received indirectly by employees. A company's fairness, appropriateness, and compensation can attract potential employees to join or work for the organization. In contrast, companies that offer inadequate compensation may find it difficult to attract potential workers (Sudaryo et al., 2019). Financial compensation can be categorized into direct and indirect financial compensation. Direct financial compensation includes salaries, wages, bonuses, or commissions. Indirect financial compensation, on the other hand, is given in the form of benefits, which may include labor insurance programs (Jamsostek), social assistance, medical expense coverage, and leave benefits (Priyatono, 2019). There are two main types of financial compensation, according to (Sudaryo et al., 2019). The first type is direct compensation, which is determined by the value of the job. Direct compensation can be divided into two components: primary and variable. The essential component refers to fixed compensation, which does not change based on job value. This includes salaries for permanent employees and wages for temporary employees. Variable compensation, on the other hand, relates to work performance and fluctuates based on the results achieved. This type of compensation includes incentives, additional payments to employees whose performance exceeds standard expectations, bonuses, and short-term incentives to motivate employees. The second type of financial compensation is indirect compensation. This form of compensation is not directly related to job value and typically includes benefits such as allowances and services. Allowances are generally equal among employees and are not based on job value, while services are intangible compensation.

Mondy (2008) identified several factors that influence financial compensation. These factors include the appropriateness of base salary, meal allowances, and holiday allowances. Financial compensation can help retain employees, improve attendance, and motivate them to complete tasks. Timely disbursement of compensation, meeting employees' minimum needs, and providing fair and expected wages also foster loyalty. Compensation systems perceived as fair can improve employee satisfaction and commitment to the organization. Khaq et al. (2022) suggested that financial compensation can be evaluated using specific indicators. Direct financial compensation indicators include salary, which refers to monetary compensation for labor; wages, calculated based on working hours; and incentives, given to employees who perform above standard expectations. Indirect financial compensation is measured through attendance allowances, which are based on employee attendance rates, protection programs, such as company-provided insurance, compensation for non-working time, like holiday pay, and company-provided facilities that meet employees' infrastructural needs.

Non-Financial Compensation

Non-financial compensation refers to the rewards that employees receive in the form of satisfaction derived from their job or work environment, either physically or psychologically. According to Priyatono (2019), non-financial compensation is characterized by a sense of comfort or fulfillment that employees experience while performing their duties. Career-related aspects include job security, promotion opportunities, supervisor appreciation, discoveries, and accomplishments. From the environmental perspective, it encompasses praise, friendships, comfort, and a conducive working atmosphere. Suwati (2020) explains that non-financial compensation is often viewed as complementary to financial compensation. Companies provide it to retain employees in the long term and create a pleasant and conducive work environment. Companies must offer financial and non-financial compensation, as satisfying financial needs alone is often insufficient. Once financial security is achieved, employees will seek non-financial benefits such as job satisfaction and personal fulfillment. By providing non-financial compensation, companies can stimulate employee loyalty, leading to better productivity, innovation, and retention while preventing employees from leaving the company.

Several types of non-financial compensation can be observed. One example is job promotion, which involves increased responsibility and authority. Additionally, large organizations often implement flexible rules and procedures that govern employee behavior while protecting them. Job security is another critical aspect of non-financial compensation, as employees are more likely to work diligently if they believe they have a clear career path. Providing a comfortable work environment is also essential, as it allows employees to work with focus and dedication. Task variation is another critical factor, as employees may experience boredom and stress if they are constantly performing repetitive tasks. Competent supervision, which involves wise and skilled oversight, is essential for guiding employees in completing complex tasks. Several factors influence the effectiveness of non-financial compensation. Organizational policies are crucial, as these guidelines impact the organization's direction and employee performance. The quality of management also affects non-financial compensation, as a good manager can significantly enhance the performance and satisfaction of employees. Relationships with coworkers are equally important, as harmonious working relationships can boost morale and productivity. Flexibility in work hours is also highly valued, with many employees placing as much importance on time as they do on money. Finally, task distribution, where responsibilities are divided based on expertise, helps employees contribute effectively to the organization.

Rivai (2011) explains that non-financial compensation can be divided into two categories. The first category relates to job satisfaction and includes all employees' activities to complete their tasks. Employees receive non-financial compensation when they feel satisfied with their work and believe it aligns with their abilities. Promotion opportunities are critical, allowing employees to move into higher positions with greater responsibilities and compensation (Sunyoto, 2012). Job performance is the foundation for career development, as career progression is directly linked to employee performance (Handoko, 2010). The second category of non-financial compensation is related to the work environment, which includes the physical and non-physical conditions in which employees perform their tasks. A comfortable workspace, whether physical or non-physical, allows employees to complete their duties effectively (Simamora, 2014). Positive relationships with colleagues can also enhance employee morale and make it easier to complete tasks (Simamora, 2014). A conducive work environment, which is calm and well-organized, supports employee productivity and helps achieve organizational goals.

Employee Work Productivity

Productivity, as defined by Yuniarsih Tjutju (2013), refers to the amount of work output that an individual or group can produce within a specified period, such as the duration of a project, a year, or even a single day. Hasibuan (2014) further elaborates that productivity is the ratio between output (results) and input (resources), meaning productivity is a measure of how efficiently tangible products or results are generated relative to the efforts expended. This concept encompasses various elements, including time, materials, labor, work systems, production techniques, and workforce skills. Sinungan (2018) adds that work productivity represents the ability of an individual or group to generate goods and services within a predetermined time frame, aligning with the organization's or company's plans and objectives. Productivity is thus closely linked to the success of an organization, as it directly impacts its goals and interests.

Several factors influence employee work productivity. Dunggio et al. (2021) describe productivity as a mental attitude that strives for continuous improvement, aiming to make today better than yesterday and tomorrow better than today. According to Dunggio, several elements contribute to productivity, including mental attitude, education and training, skills, management, industrial relations, income levels, nutrition and health, social security, the work environment and climate, production facilities, and opportunities for achievement. These factors are crucial in driving productivity and ensuring the overall success of an organization.

Sutrisno (2021) outlines several critical indicators of employee work productivity. The first indicator is the employee's ability to carry out assigned tasks, which is heavily influenced by the skills and professionalism they bring to their work. The second indicator is the effort to improve results, meaning that employees strive to achieve better outcomes in their work. This effort can be appreciated by both the employees and those who benefit from the results of their work. The third indicator is work enthusiasm, which is the drive to perform better each day than the previous one. This enthusiasm is evident in an employee's work ethic and the daily results achieved compared to prior days. The fourth indicator is self-development, as employees must constantly develop their skills to meet future challenges and improve their work performance. Facing more significant challenges requires continuous growth. The fifth indicator is quality, which refers to the consistent effort to improve the quality of work. Quality reflects an employee's work standards and is essential for personal and company success. Lastly, efficiency is the sixth indicator and measures the relationship between the results achieved and the resources used. Input and output are critical elements of productivity, significantly impacting an employee's overall performance and contribution to the organization.

Research Design and Methodology

The type of research used in this study is quantitative which aims to determine the relationship between the independent variable and the dependent variable, using data in the form of numbers obtained from the results of the questionnaire. This research design aims to provide a clear direction and target to be achieved, starting from problem identification as a problem boundary so that the scope of the research remains on its purpose. The research population is all employees at PT Bank Papua, totaling 50 people, and the sampling technique used is saturated sampling, where the entire population is used as a research sample. The data collection techniques used include primary data and secondary data. Primary data was obtained directly from respondents through distributing questionnaires to employees of Bank Papua Abepura Branch, while secondary data was obtained from journals, books, brochures, articles from websites, or other related party records. The research variables consist of independent variables, namely financial and non-financial compensation, and dependent variables, namely work productivity. The operational definition of variables includes financial compensation which includes salaries, wages, incentives, allowances, and protection programs, as well as non-financial compensation which includes job satisfaction and work environment. The data analysis technique uses validity and reliability tests to ensure that the instruments used can measure precisely and consistently, as well as classical assumption tests such as normality, multicollinearity, and heteroscedasticity tests to ensure that the data meets the requirements for multiple linear regression analysis. Multiple linear regression models are used to predict the value of the dependent variable based on the independent variable, with hypothesis testing through the t test and F test to measure the effect of the independent variable partially and

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simultaneously on the dependent variable, as well as the coefficient of determination (R2) to measure the proportion of the effect of the independent variable simultaneously on the dependent variable.

Findings and Discussion

Findings

Validity and Reability Test

The validity test in this study uses a comparison between the Product Moment Correlation correlation index with a significant 5%. The data is said to be valid if r count> r table (0.2787) and a significant value <0.05. The reliability test measures the consistency of the measuring instrument, which is declared reliable if the Cronbach Alpha Based on Standardized Item value is> 0.60, according to Ghozali (2018). This study used a sample of 50 with DF = 48 to determine the r table.

Table 1. Validity and Reability Test Results

Variables	Item	r count	r table	Sig.	Ket.	Cronbach's Alpha Based on Standardized Items	Info
Financial Compensation	Salary	0,636	0,2787	0,000	Valid	0,857	Reliable
	Wages	0,821	0,2787	0,000	Valid		
	Incentives	0,761	0,2787	0,000	Valid		
	Attendance allowance	0,818	0,2787	0,000	Valid		
	Protection program	0,679	0,2787	0,000	Valid		
	Compensation for time away from work	0,821	0,2787	0,000	Valid		
	Facilities	0,671	0,2787	0,000	Valid		
Non-Financial Compensation	Promotion opportunities	0,769	0,2787	0,000	Valid	0,785	Reliable
	Work performance	0,762	0,2787	0,000	Valid		
	Comfortable on duty	0,717	0,2787	0,000	Valid		
	Fun work colleagues	0,658	0,2787	0,000	Valid		
	Conducive	0,776	0,2787	0,000	Valid		
Work Productivity	Ability	0,580	0,2787	0,000	Valid	0,847	Reliable
	Improving the results achieved	0,816	0,2787	0,000	Valid		
	Work ethic	0,784	0,2787	0,000	Valid		
	Self-development	0,761	0,2787	0,000	Valid		
	Quality	0,766	0,2787	0,000	Valid		
	Efficiency	0,848	0,2787	0,000	Valid		

Source: *Data processed (2024) using SPSS 29*

Table 1 shows the results of the validity and reliability tests of the research variables, including financial compensation, non-financial compensation, and employee work productivity. All items on the financial compensation variable (salary, wages, incentives, attendance allowances, protection programs, compensation for time off work, and facilities) and non-financial compensation (promotion opportunities, job performance, comfort on duty, pleasant work relatives, and conducive) have an r value greater than r table (0.2787) and significant ($p < 0.05$), so all items are declared valid. All indicators (ability, improving results achieved, work enthusiasm, self-development, quality, and efficiency) were also declared valid in the work productivity variable. The reliability test showed Cronbach's Alpha values for financial compensation, non-financial compensation, and work productivity of 0.857, 0.785, and 0.847, respectively, which exceeded the 0.60 limit, so the three variables were declared reliable. Thus, this research instrument has proven valid and reliable for further analysis. The normality test assesses whether the distribution of the dependent and independent variables is normal. This study conducted the normality test using a standard probability plot, examining the data distribution's tendency along the regression line. The expected probability plot results are shown in the figure 1.

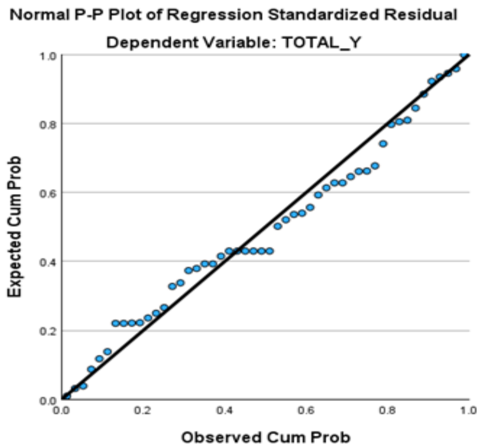

Figure 1. Normality Testing Results
Source: ***Data processed using SPSS 29***

The normal probability plot indicates that the data points are distributed around the diagonal line, with their spread following the direction of the line. Therefore, the data distribution can be considered normal. Multicollinearity occurs when a perfect or near-perfect relationship between several or all variables explains the regression line. A good regression model should not have correlations among independent variables. Multicollinearity can be detected by examining the Variance Inflation Factor (VIF); a VIF value greater than 10 indicates multicollinearity, while values below 10 indicate no multicollinearity.

Table 2. Multicollinearity Test Results

Variable	Tolerance	VIF
Financial Compensation	0,598	1,672
Non-Financial Compensation	0,598	1,672

Source: Data processed (2024) using SPSS 29

Based on Table 2, the Tolerance (TOL) value for the Financial Compensation variable is 0.598, and for the Non-Financial Compensation variable, it is also 0.598. Meanwhile, the Variance Inflation Factor (VIF) for both variables is 1.672. Since the VIF value is less than ten and the TOL value is above 0.100, multicollinearity does not exist in this regression model. The equal TOL and VIF values are due to only two independent variables in the model. The heteroscedasticity assumption aims to test whether a regression model has unequal variances from one observation to another. If the residual variance remains constant, it is called homoscedasticity, while differing variances indicate heteroscedasticity. In this study, heteroscedasticity is examined by observing the scatterplot. If a specific pattern, such as waves or a funnel shape, appears, heteroscedasticity is present. Heteroscedasticity is absent if no clear pattern is observed, and the points scatter above and below zero on the Y-axis. A good regression model should exhibit something other than heteroscedasticity.

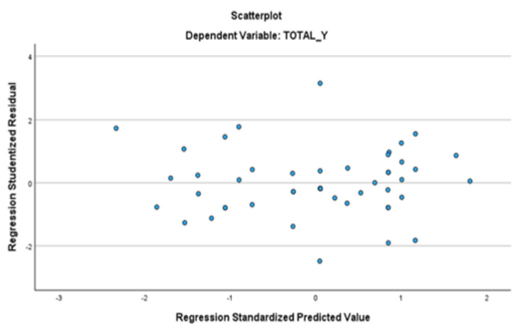

Figure 2 . Heteroscedasticity Test Results
Source: Data processed using SPSS 29

Figure 2 shows that the dots spread randomly, above and below the number 0 on the Y-axis. This shows no heteroscedasticity in this research model, so the model meets the rules to proceed to further research. In this study, the data analysis technique used to address the research problem and achieve the research objectives is multiple linear regression analysis. Multiple linear regression examines the influence between independent and dependent variables at the Bank Papua Abepura Branch. The independent variables in this study are Financial Compensation (X1) and Non-Financial Compensation (X2), while the dependent variable is Work Productivity (Y). The statistical analysis for multiple linear regression was conducted using SPSS version 29. The multiple linear regression analysis results are presented in Table 3.

Table 3. Multiple Linear Regression Analysis Test Results

Variable	Coefficient
Constant	4,343
Financial Compensation (X1)	0,419
Non-Financial Compensation (X2)	0,413

Source: *Data processed (2024) using SPSS 29*

Based on the regression test results presented in the table above, the regression equation for the study can be explained as follows:

$$Y = 4.343 + 0.419\,X1 + 0.413\,X2 + e$$

From this multiple linear regression equation, the following can be interpreted:

a. The constant value of 4.343 indicates that if the independent variables, Financial Compensation and Non-Financial Compensation, are both zero, the value of Work Productivity would be 4.343. This constant is fixed and cannot change.
b. The regression coefficient for Financial Compensation, 0.419, indicates that for every one-unit increase in Financial Compensation, Work Productivity will increase by 0.419, assuming all other variables remain constant.
c. The regression coefficient for Non-Financial Compensation, 0.413, indicates that for every one-unit increase in Non-Financial Compensation, Work Productivity will increase by 0.413, assuming all other variables remain constant.

Tabel 4. T-test result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.343	1.995	-	2.177	0.035
	Financial Compensation)	0.419	0.085	0.524	4.924	< 0.001
	Non-Financial Compensation)	0.413	0.113	0.387	3.641	< 0.001

a. Dependent Variable: Total_Y

Source: *Data processed (2024) using SPSS 29*

The Financial Compensation variable has a calculated t-value of 4.924, more significant than the t-table value of 1.678 (t-calculated > t-table), and a significance value of 0.000, less than 0.05. Therefore, the hypothesis is accepted, indicating a relationship between Financial Compensation and Work Productivity at Bank Papua, Abepura Branch. The higher the Financial Compensation provided, the more significant the increase in Work Productivity. Similarly, the Non-Financial Compensation variable has a calculated t-value of 3.641, which is also more significant than the t-table value of 1.678, with a significance value of 0.000, less than 0.05. Hence, the hypothesis is accepted, indicating that Non-Financial Compensation positively influences Work Productivity. Well-perceived Non-Financial Compensation leads to increased Work Productivity.

The F-test evaluates whether all independent variables included in the model simultaneously affect the dependent variable. At a 5% significance level, if F-calculated > F-table, the hypothesis is accepted, meaning there is a simultaneous effect of Financial Compensation and Non-Financial

Compensation on Work Productivity at Bank Papua, Abepura Branch. The F-table value is calculated as F = (k-1; n-k) = (2; 47) = 3.19.

Table 5. F Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	336.370	2	168.185	50.345	< 0.001[b]
Residual	157.010	47	3.341		
Total	493.380	49			

a. Dependent Variable: TOTAL_Y
b. Predictors: (Constant), TOTAL_X2, TOTAL_X1
Source: *Data processed (2024) using SPSS 29*

The coefficient of determination (R^2) essentially measures how well the model explains the variation in the dependent variable. A low R^2 value indicates that the independent variables cannot explain the variation in the dependent variable. Conversely, an R^2 value close to one means the independent variables provide nearly all the necessary information to predict the variation in the dependent variable.

Table 6. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.826	.682	.668	1.828	2.256

a. Dependent Variable: TOTAL_Y
b. Predictors: (Constant), TOTAL_X2, TOTAL_X1
Source: *Data processed (2024) using SPSS 29*

Based on the summary table 6, the Adjusted R Square value is 0.668 or 66.8%. This indicates that the independent variables contribute 66.8% to the variation in the dependent variable, while other variables outside this model influence the remaining 33.2%. Thus, Financial Compensation and Non-Financial Compensation collectively contribute 66.8% to Work Productivity at Bank Papua, Abepura Branch.

Discussion

Effect of Financial Compensation on Work Productivity

The study results show that financial compensation positively and significantly affects work productivity. This suggests that financial compensation plays a crucial role in enhancing employee performance, and based on hypothesis testing, it can be concluded that the financial compensation variable positively impacts work productivity. Therefore, the first hypothesis states that financial compensation influences work productivity is accepted. As described in this study, financial compensation is an institution's reward for its employees through salaries, wages, bonuses, incentives, and allowances. These are given in exchange for the services employees render to the company, which, in turn, fosters positive behavior. The study highlights that as financial compensation increases, so does employee productivity. This finding is consistent with the basic understanding of compensation as an essential tool for motivating employees to achieve higher productivity. By providing adequate financial rewards, companies can ensure employees feel valued, leading to better job performance and engagement.

Financial compensation is divided into two categories: direct and indirect financial compensation. Direct financial compensation includes employee payments in salaries, wages, bonuses, or commissions. Indirect financial compensation, on the other hand, consists of benefits such as social security programs, health insurance, sick leave, and paid leave. These forms of compensation, though not directly tied to an employee's work output, play a significant role in contributing to an employee's overall well-being and job satisfaction. The study finds that both direct and indirect forms of financial compensation contribute to increased productivity, as employees who feel adequately compensated are more motivated to perform well. The results support the primary hypothesis of the study, which proposed that financial compensation positively impacts work productivity. This indicates a clear and measurable relationship between employee compensation and productivity, affirming the foundational theory that employees tend to perform better when they feel the company is meeting their financial needs.

The study's findings align well with existing theories on compensation and motivation. According to motivation theories such as Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, financial compensation is a necessity that motivates employees to work. Employees receiving adequate financial compensation fulfill their lower-level needs, allowing them to focus on higher-level motivational factors such as personal growth and job satisfaction. These theories suggest that financial compensation is a foundation for employees to engage more fully in their roles, leading to higher productivity. The study's findings are consistent with previous research on the relationship between compensation and productivity. For instance, studies by Alianto and Anindita (2018) and Hartina (2023) also demonstrated that employees who are satisfied with their financial compensation tend to show higher levels of commitment and productivity. These studies have shown that companies with competitive compensation packages tend to have more engaged employees, improving performance outcomes. Similarly, the current study supports the notion that financial compensation is a crucial driver of employee performance, affirming the conclusions drawn in earlier research. This study emphasizes the balance between direct and indirect financial compensation, highlighting that both are essential for boosting productivity. While past research focused mainly on direct rewards like salaries and bonuses, this study shows that benefits and allowances significantly enhance employee satisfaction and performance. For companies like Bank Papua, maintaining a well-balanced compensation package is critical to motivating employees and fostering a positive work environment. Regularly adjusting compensation to meet workforce needs can increase productivity and reduce turnover, ensuring long-term organizational success.

Effect of Non-Financial Productivity on Work Productivity

The study results demonstrate that non-financial compensation positively and significantly impacts work productivity. This suggests that non-financial compensation is a crucial factor influencing employee performance, particularly at Bank Papua, Abepura Branch. Non-financial compensation includes rewards that are not monetary but derived from the satisfaction employees gain from their work or work environment. These rewards can be physical, such as a safe and comfortable work environment, or psychological, such as job satisfaction and a sense of security in their role. The study's findings highlight that employees who receive adequate non-financial compensation are more likely to feel secure, comfortable, and motivated, which, in turn, leads to higher productivity. The study confirms that non-financial compensation significantly affects work productivity in testing the hypothesis. This supports the hypothesis that non-financial compensation positively impacts employee performance. The research highlights that when employees receive compensation that aligns with their efforts and contributions to the company, they are more likely to perform better. Conversely, when employees feel that the non-financial compensation does not match their contributions, their performance may suffer, leading to less effective execution of their tasks and responsibilities. This confirms the importance of non-financial compensation in fostering a productive workforce.

The findings of this research align with established motivational theories, such as Herzberg's Two-Factor Theory, which suggests that non-financial factors, such as job satisfaction and a conducive work environment, play a vital role in motivating employees. Herzberg's theory divides workplace motivators into two categories: hygiene factors (such as job security, working conditions, and company policies) and motivators (such as achievement, recognition, and personal growth). Non-financial compensation directly relates to these hygiene factors, as they help employees feel secure and comfortable in their roles, which is essential for motivating them to perform better. The study reinforces that non-financial compensation is as significant as financial rewards driving employee productivity. In comparison to previous research, the findings of this study are consistent with earlier work that emphasizes the importance of non-financial compensation in enhancing employee performance. For instance, a study by Barden (2018) found that employees who feel satisfied with their work environment and job security are likelier to exhibit higher productivity and job engagement levels. Similarly, research by Kanaf et al. (2023) demonstrated that non-financial rewards, such as recognition, job satisfaction, and a supportive work environment, contribute significantly to employee performance. These studies corroborate the present research findings, further highlighting the critical role of non-financial compensation in fostering a motivated and productive workforce.

However, the present study adds new insights by emphasizing the balance between financial and non-financial compensation. While financial rewards such as salaries and bonuses are essential, non-financial compensation, such as job security, health benefits, and a conducive work environment, are essential in maintaining high employee morale and productivity. Employees who feel supported through comprehensive non-financial benefits are likelier to remain loyal to the company, reducing turnover rates and fostering a positive work culture. The practical implications of this study are significant. Companies like Bank Papua should recognize the importance of providing comprehensive non-financial compensation packages that include financial rewards, job security, a safe and comfortable work environment, and personal and professional growth opportunities. By doing so, companies can ensure that their employees are motivated, productive, and committed to achieving organizational goals. Investing in non-financial compensation is a crucial strategy for improving employee performance and fostering long-term organizational success.

The Effect of Financial Compensation and Non-Financial Compensation on Work Productivity

The hypothesis can be accepted that financial and non-financial compensation simultaneously influences work productivity at Bank Papua, Abepura Branch. The results of this study indicate that both financial and non-financial compensation, when considered together, significantly impacts employee productivity. This implies that employee productivity will improve as financial and non-financial compensation increases. Conversely, when financial and non-financial compensation are inadequate, it can negatively affect employee performance and productivity. Among the two variables studied, financial compensation appears to have a more dominant influence than non-financial compensation in determining work productivity. Financial compensation, such as salaries, wages, bonuses, and incentives, is crucial in motivating employees, as it directly impacts their financial security and well-being. Employees who feel that their financial needs are met are more likely to be engaged, motivated, and productive. While non-financial compensation, including job satisfaction, a supportive work environment, and job security, is essential, financial compensation is the primary driver of employee performance. Companies must prioritize financial compensation as part of their overall compensation strategy to foster optimal productivity. This does not mean neglecting non-financial compensation, as both types contribute to a comprehensive reward system. However, ensuring that financial compensation is competitive and meets the needs of employees is essential for boosting productivity and retaining talent. Companies like Bank Papua should regularly review their compensation structures to ensure they are aligned with employee expectations and market standards. By doing so, they can create a motivated workforce that consistently contributes to the organization's success.

Conclusion

The summary of this study reveals that financial and non-financial compensation positively and significantly influence employee work productivity at Bank Papua Abepura Branch. This finding is consistent with theories of motivation and justice in the context of rewards and compensation. The research confirms that financial and non-financial compensation improvements can be vital in encouraging employees to improve their productivity.

The value of this study lies in the empirical confirmation that a balanced combination of financial and non-financial compensation can be an effective strategy for management to improve work productivity. This research also highlights the importance of considering non-financial aspects, such as rewards, recognition, and career development opportunities, as an integral part of the compensation system. The originality of this study lies in its in-depth focus on a specific branch of Bank Papua, providing valuable insights into the local context of human resource management.

While this research makes a valuable contribution, some limitations must be noted. This study is limited to one bank branch only and may not be directly applicable to different contexts. Therefore, future research could expand the sample coverage or consider additional variables to gain a more comprehensive understanding. In addition, considering the long-term impact of a combination of financial and non-financial compensation may also be an exciting research subject for the future. With these limitations in mind, future research can enrich our understanding of the relationship between compensation and work productivity, providing deeper insights for practitioners and researchers in human resource management.

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